

INPUT
Outsourcing Workshop

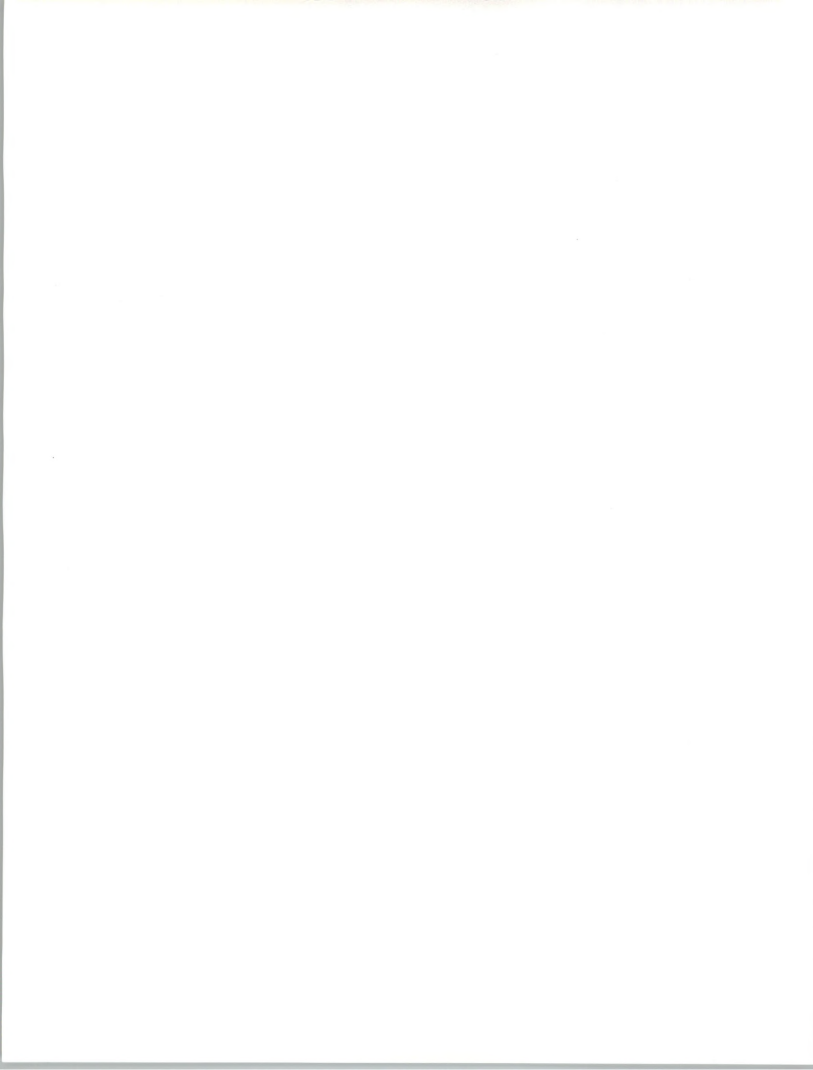
1 July 1992

London

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Published by
INPUT
1280 Villa Street
Mountain View, CA 94041-1194

**Outsourcing Information Systems
Programme—Europe
(OEOSP)**

Outsourcing Workshop

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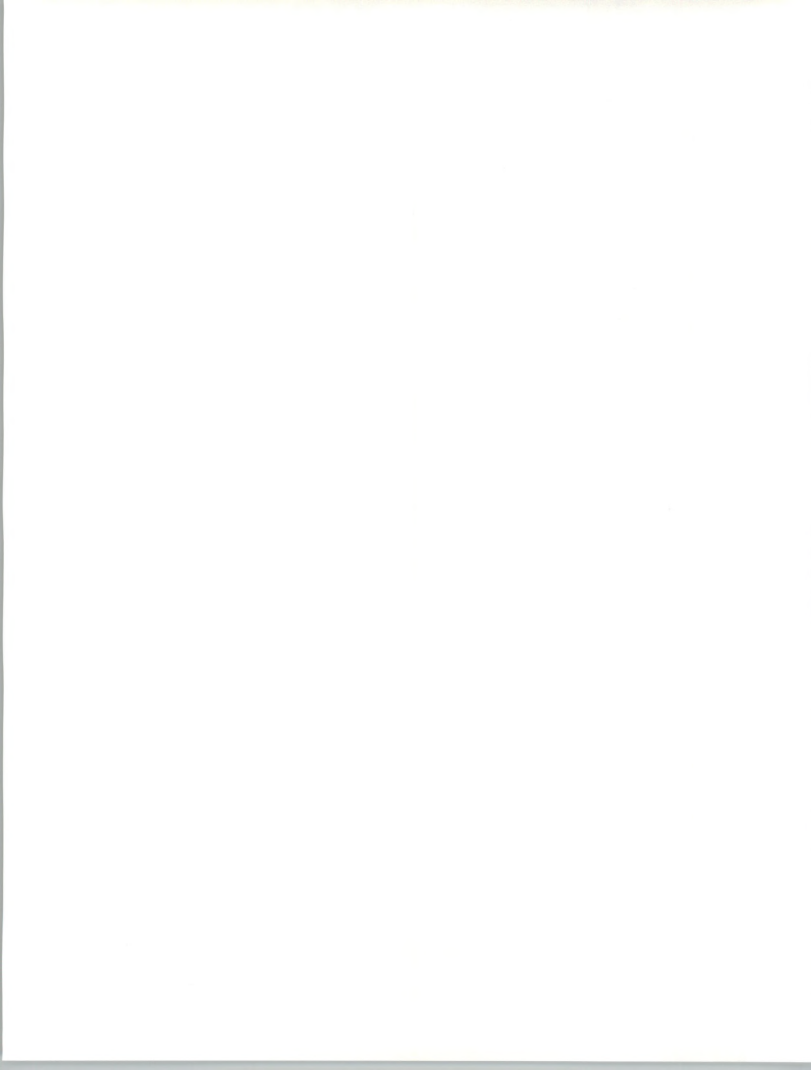


Overview of Outsourcing Market in Europe

E-OU-28

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Systems Operations, Europe

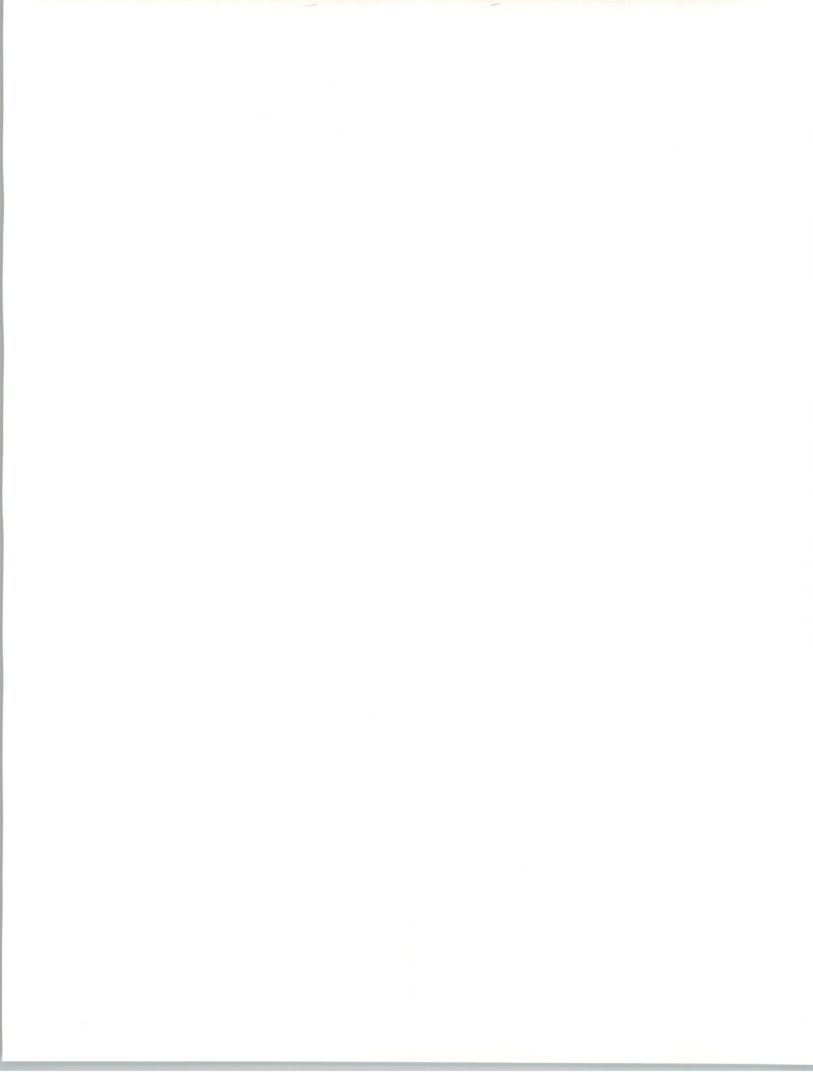
Key Trends

- Users' outsourcing becomes more complete
- New types of service emerging
- Vendors seek increased profitability

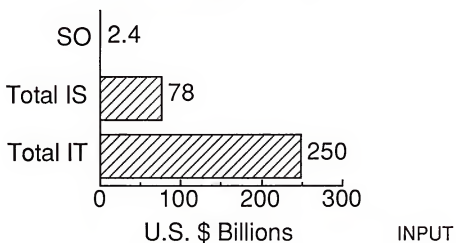
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Total IT Expenditure Europe, 1991



E-IS-35

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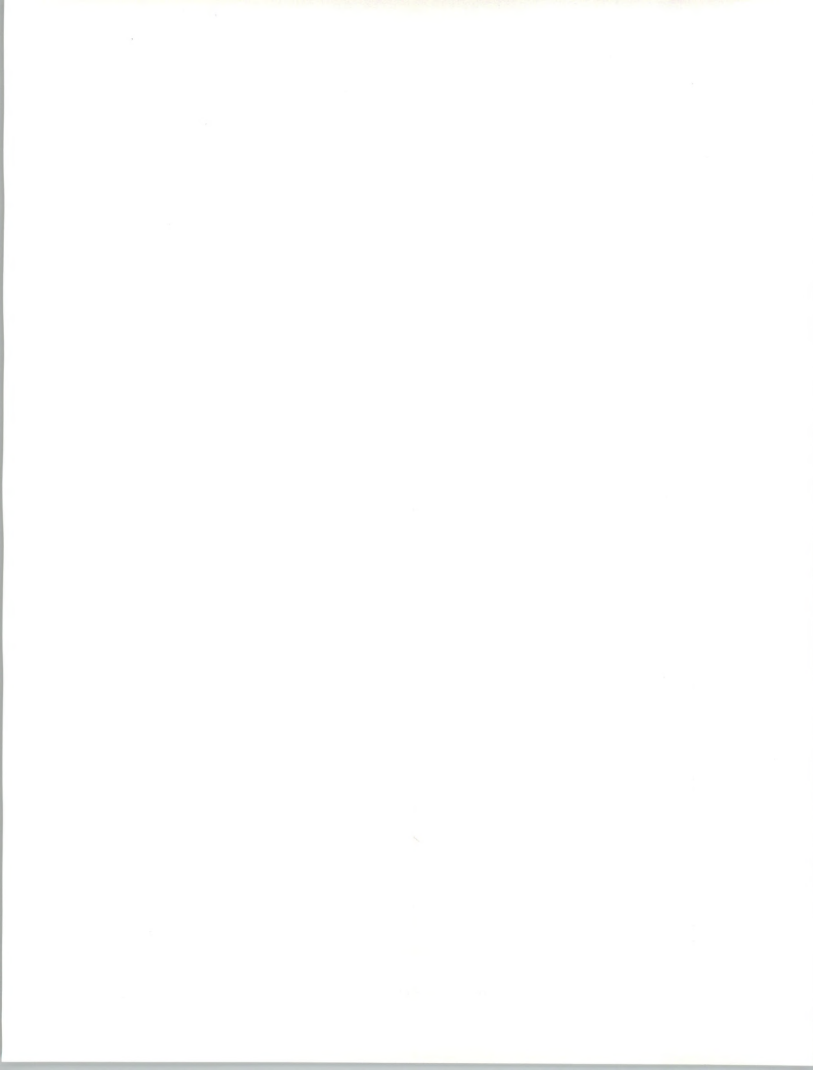
Operational Software Support Conclusions

- Untapped market opportunity
- Total user spend ~ \$44 billion
- Less than 1% is outsourced
- Primary need—IS management skills

E-OU-36

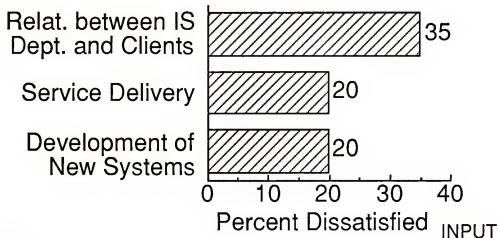
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Europe

Major Challenges for IS Depts.



E-IS-37

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Outsourcing, Europe

Identification of Prospects

Low

Level of In-house
IS Capability

Changing Co. Struct.	Remote Subsid.
Changing Business Focus	New Acquisition
Stable Well- Focused Org.	Change of CEO

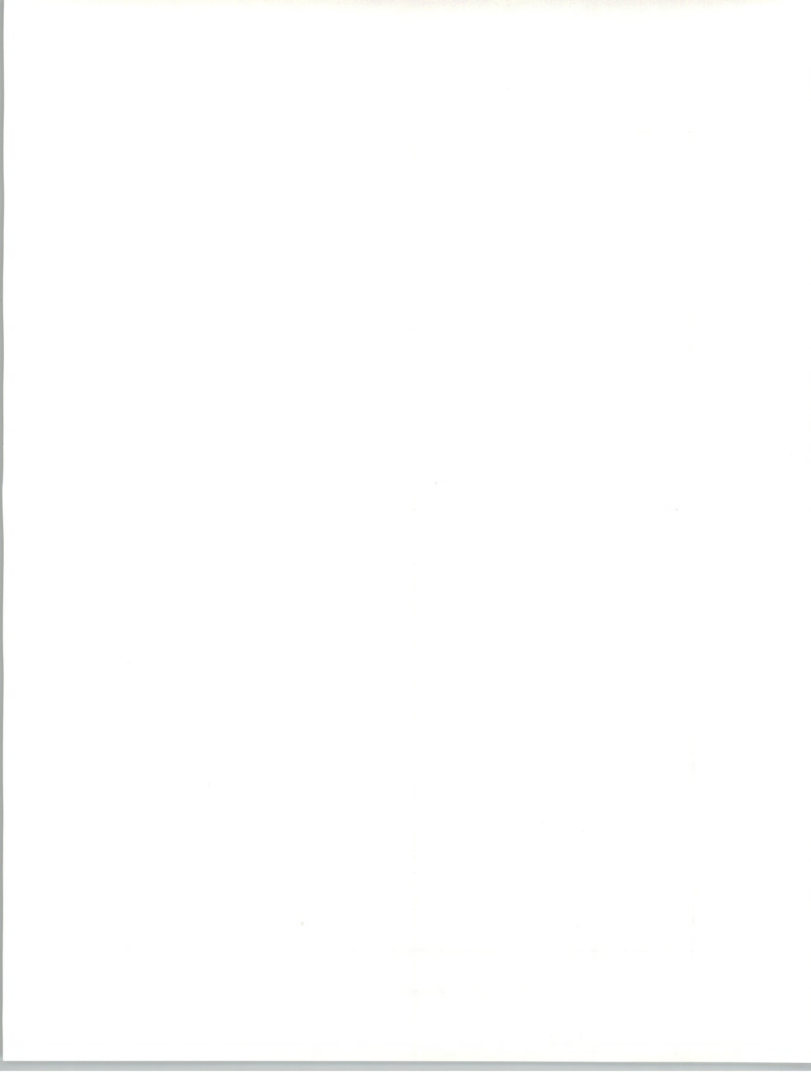
High

Quality of Relat. Between IS & Clients

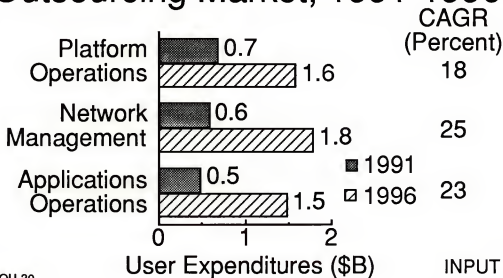
Low
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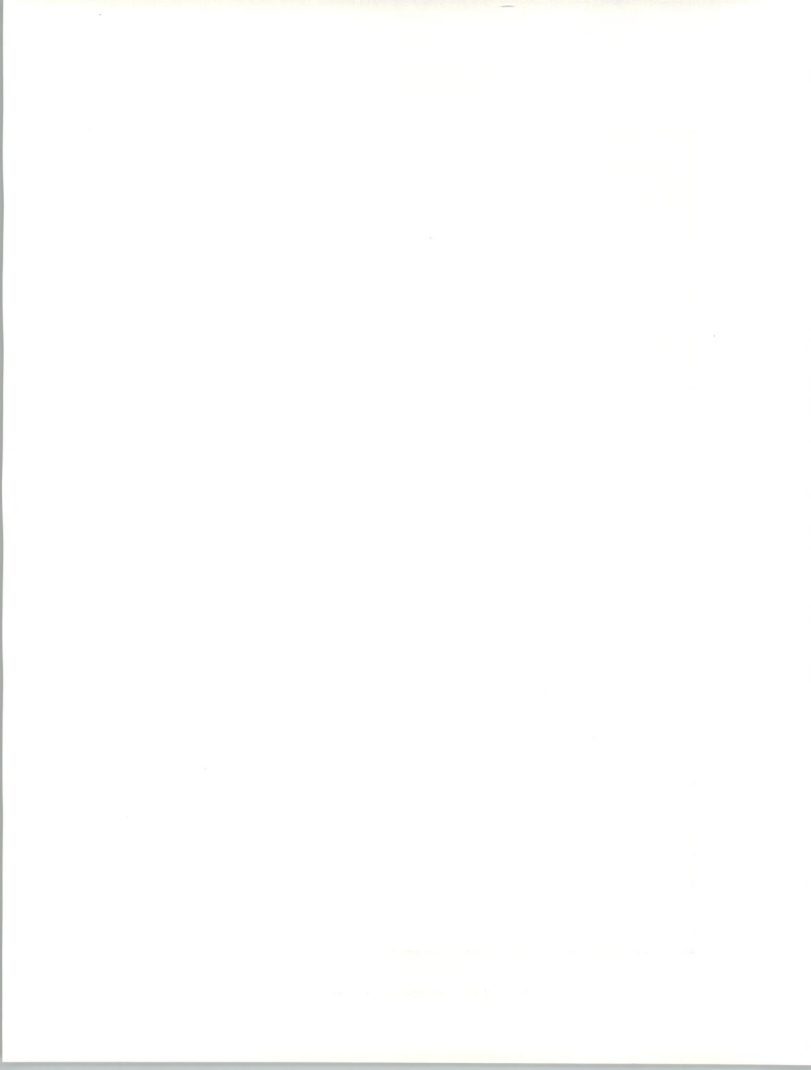


Europe Outsourcing Market, 1991-1996



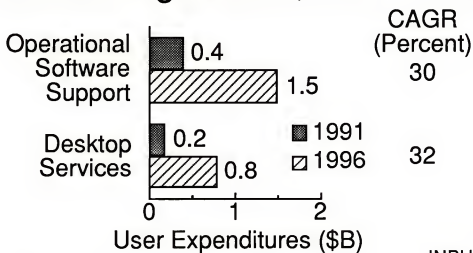
E-OU-30

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Europe

Outsourcing Market, 1991-1996



E-OU-31

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Outsourcing, Europe

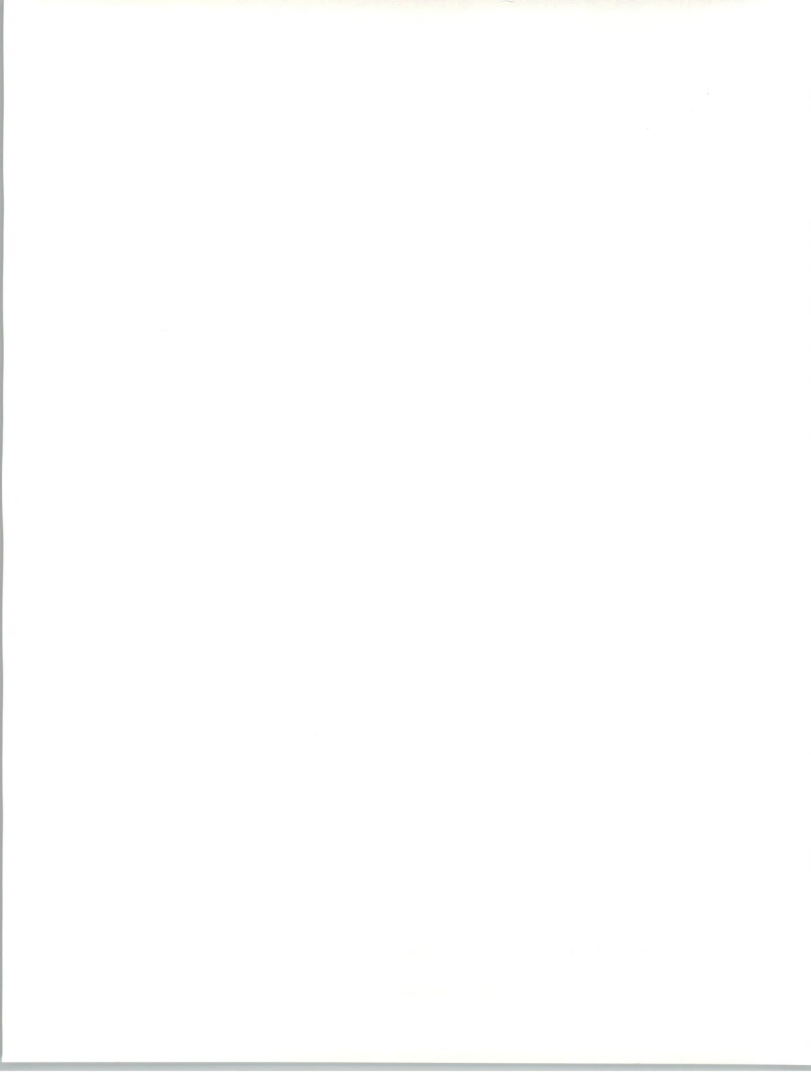
Principal Reasons for Platform Operations

Factor	Degree of Imp.
Easier planning of IS costs	High
Complexity of technology	High
Difficulty in recruiting staff	Med.
Change in technology used	Med.

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Platform Operations, Europe

Nature of Renewals

- Existing service levels crucial
- Users attempt to drive down costs
- Users more susceptible to total solution

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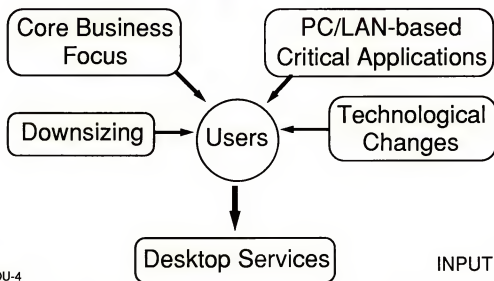
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Desktop Services, Europe

Driving Forces



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Desktop Services, Europe

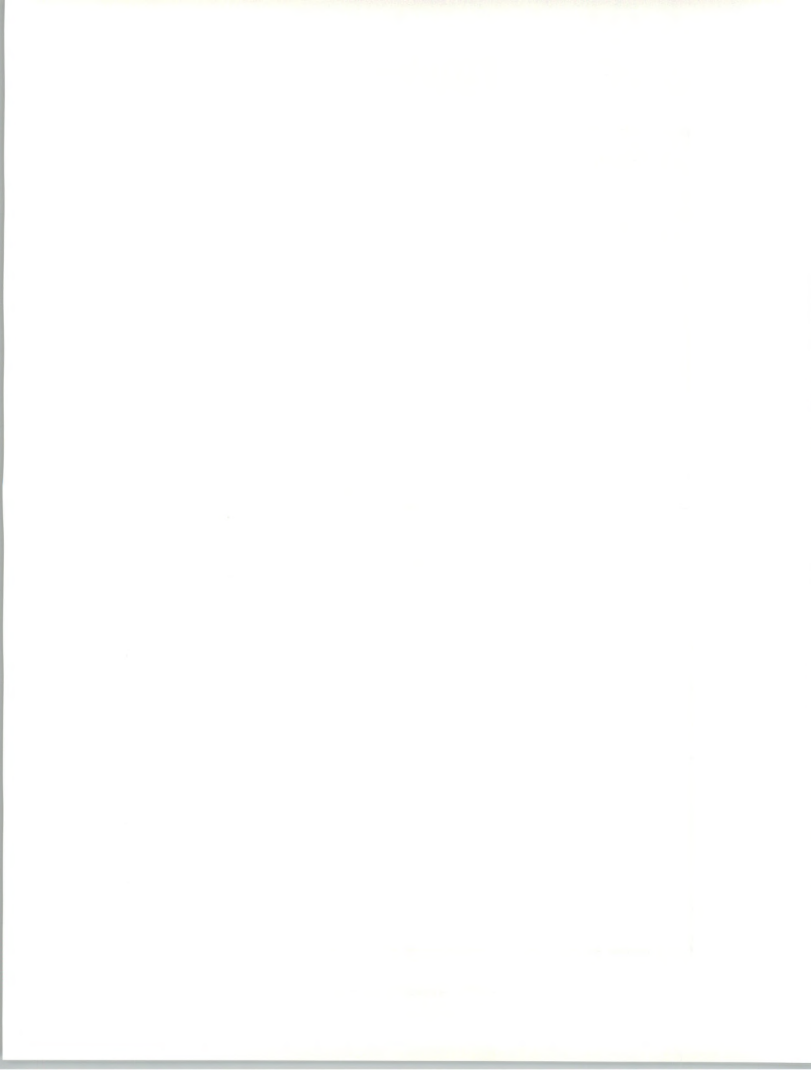
The Decision Process

Size of Organization	In-House Capability Level	Source of decision to outsource
Large organizations	High	Senior executives
Medium-sized organizations	Low	IS management

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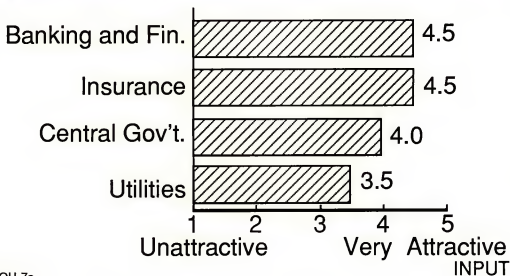
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Desktop Services, Europe

Attractiveness of Industry Sectors



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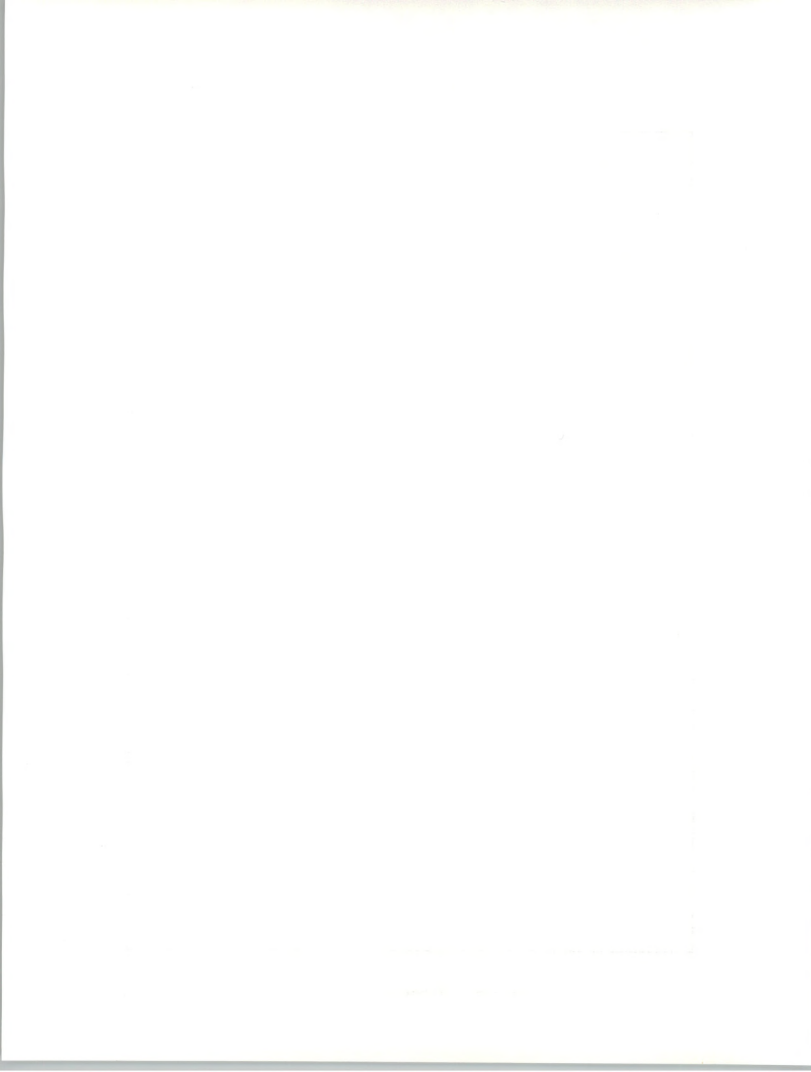
Network Management Outsourcing Drivers

- Increasing reliance on the network—globalisation of business
- Increasing complexity of networking technology
- Increasing volatility of the public network infrastructure

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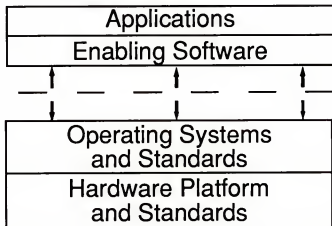


Uncoupling Applications from Infrastructure

Dynamic
Business
Environment

— — —

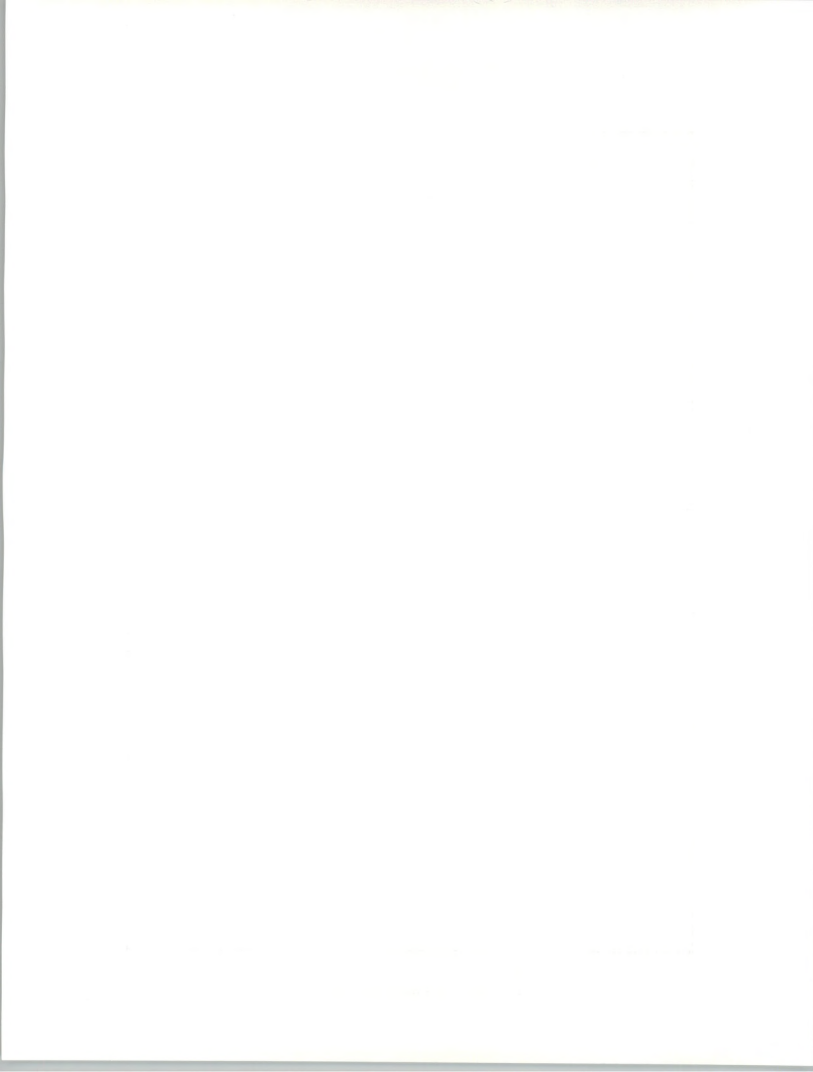
'Static'
Supporting
Platform



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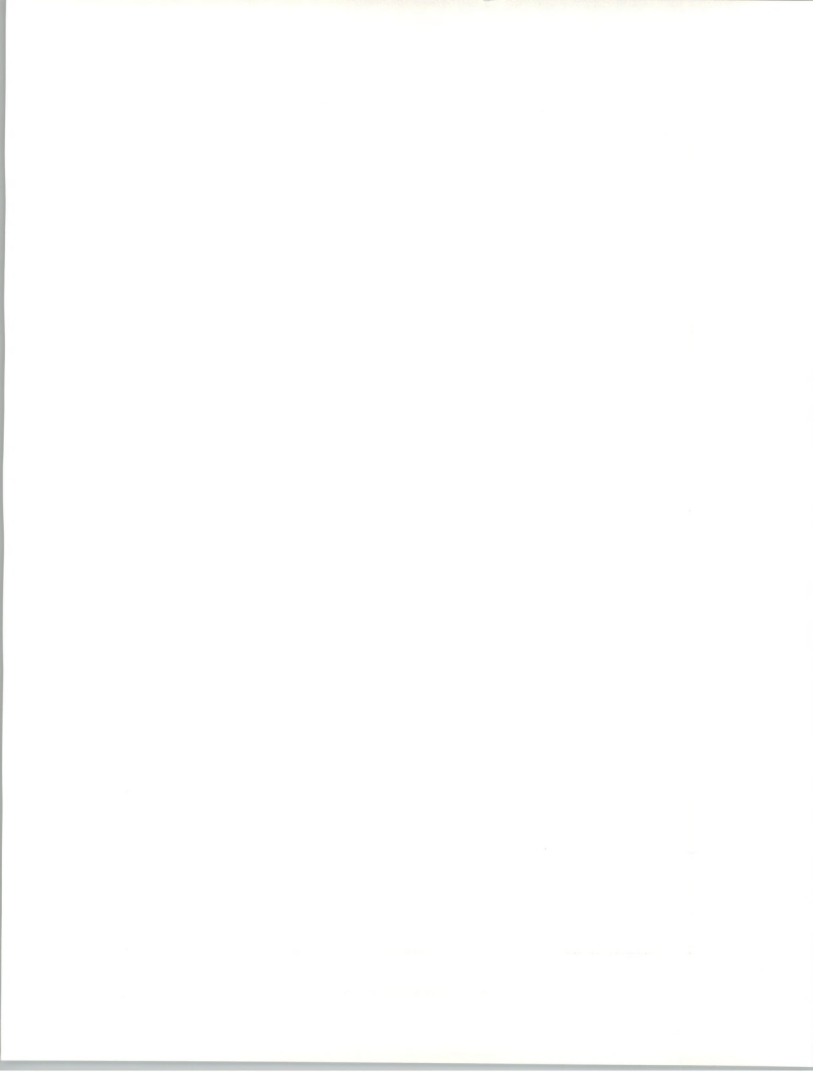
Operational Software Support Outsourcing Drivers

- Dependence on aging application systems
- Resource management difficulties
- Software staff discontent

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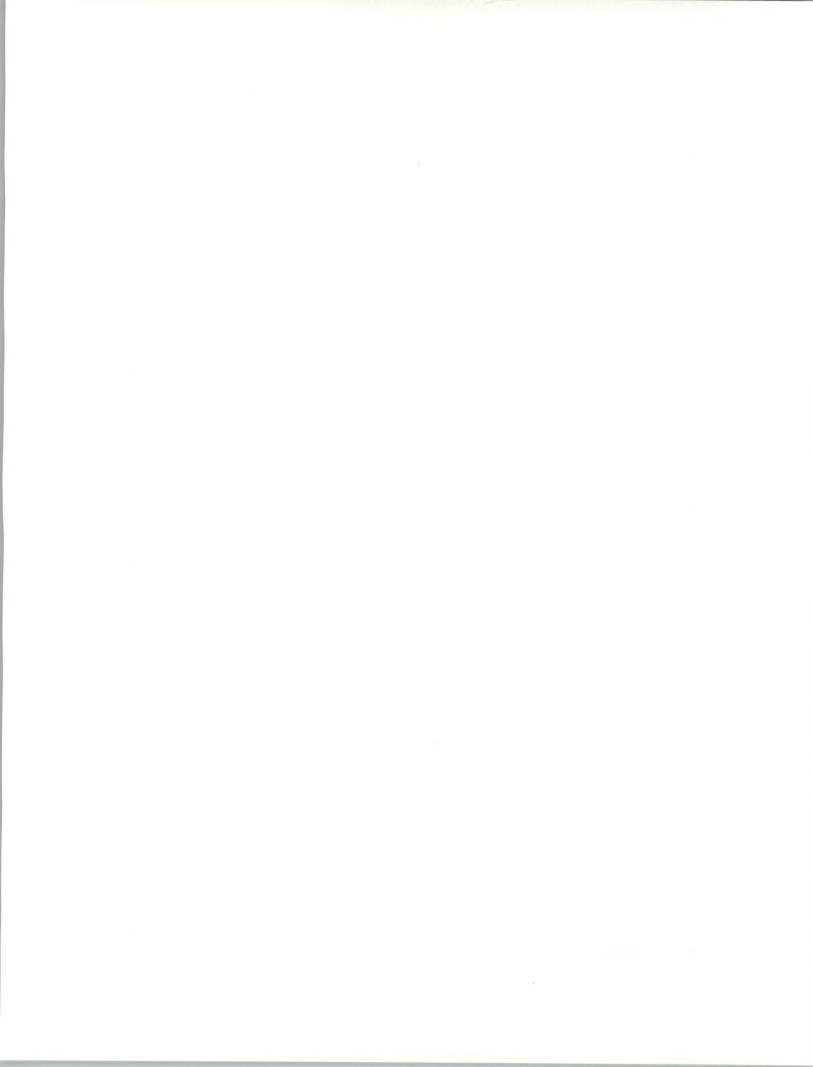
Operational Software Support Conclusions

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- Total user spend ~ \$44 billion
- Less than 1% is outsourced
- Primary need—IS management skills

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Application Operations, Europe

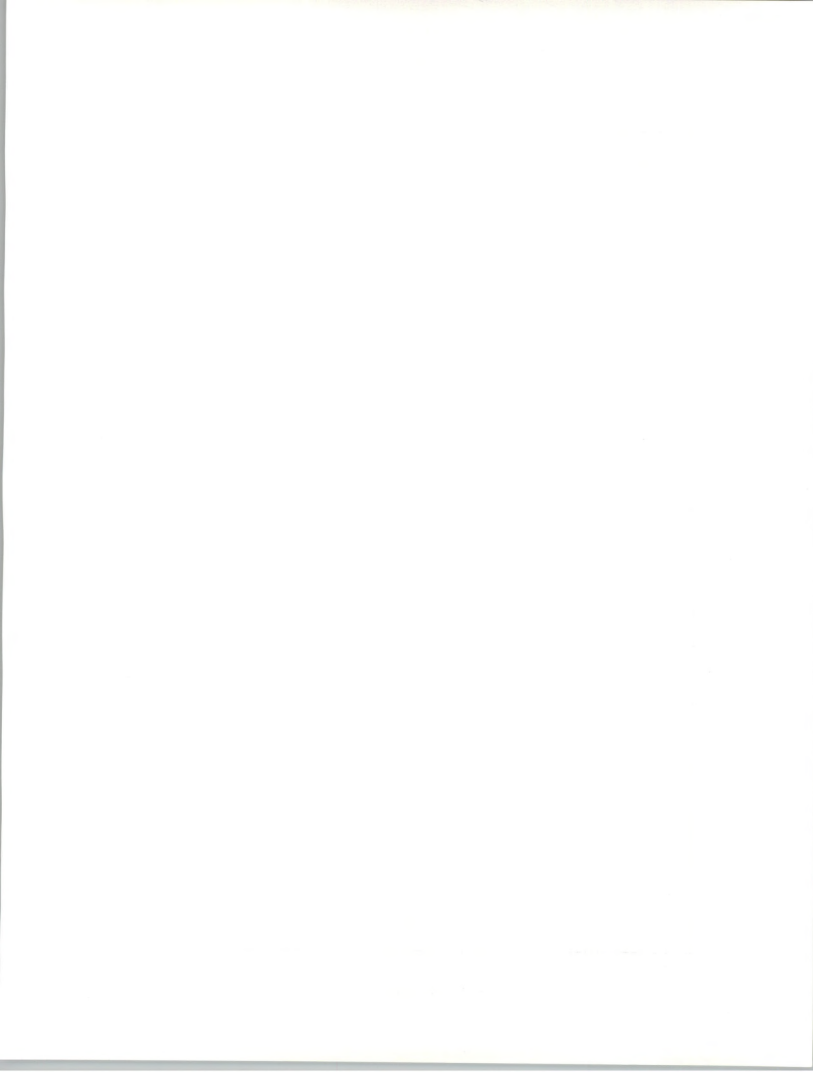
Reasons for Adoption

Factor	Degree of Imp.
Making IS relate to business needs	High
Making IS more manageable	High
Easier planning of IS costs	High
Need to reduce IS costs	High

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Notes



Application Operations, Europe

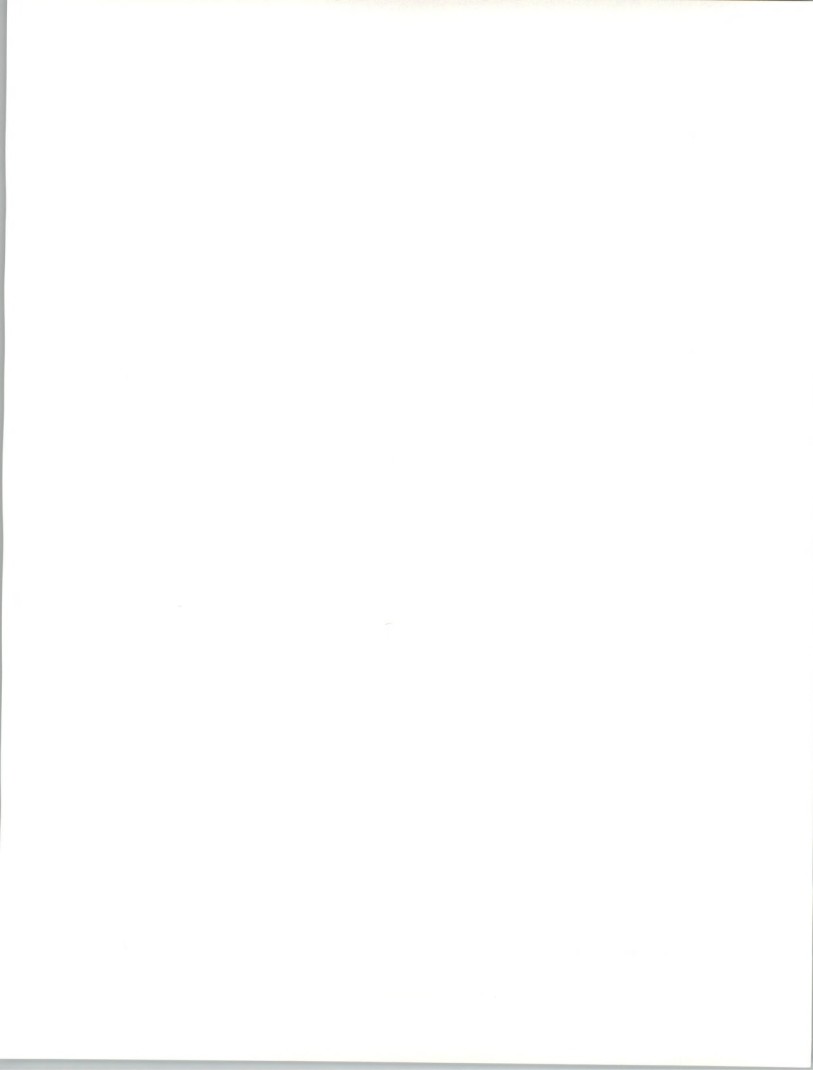
Vendor Selection Criteria

Factor	Rating
Industry knowledge	High
Business consultancy skills	High
Development capability	High
Vendor independence	High

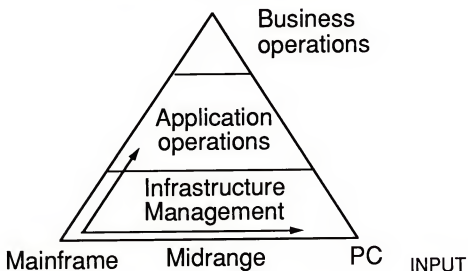
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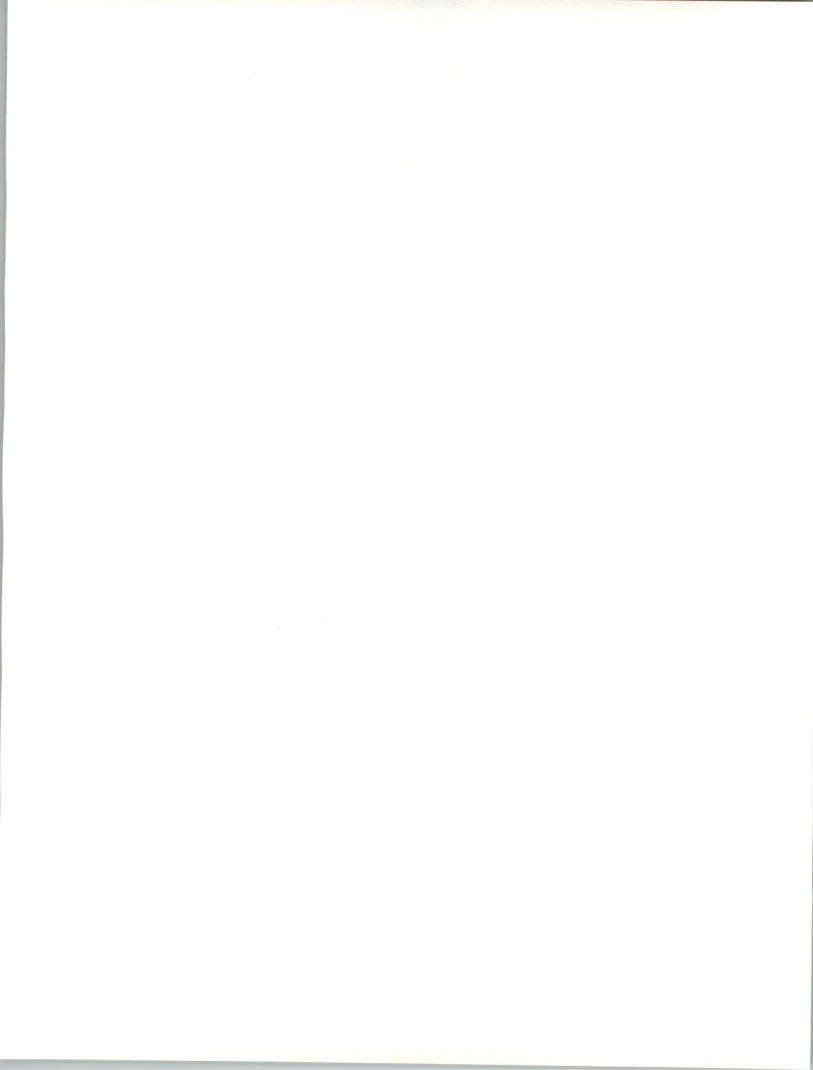


Outsourcing Trends



E-OU-42

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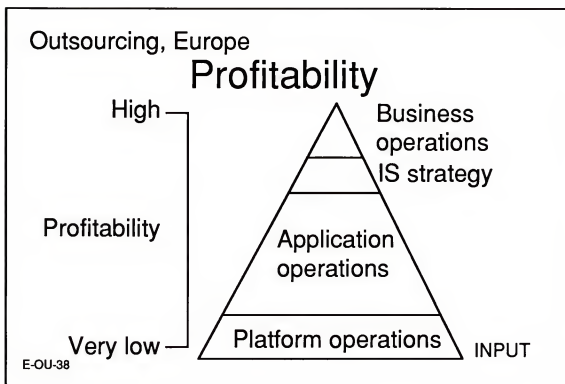
Outsourcing Vendor Strategies

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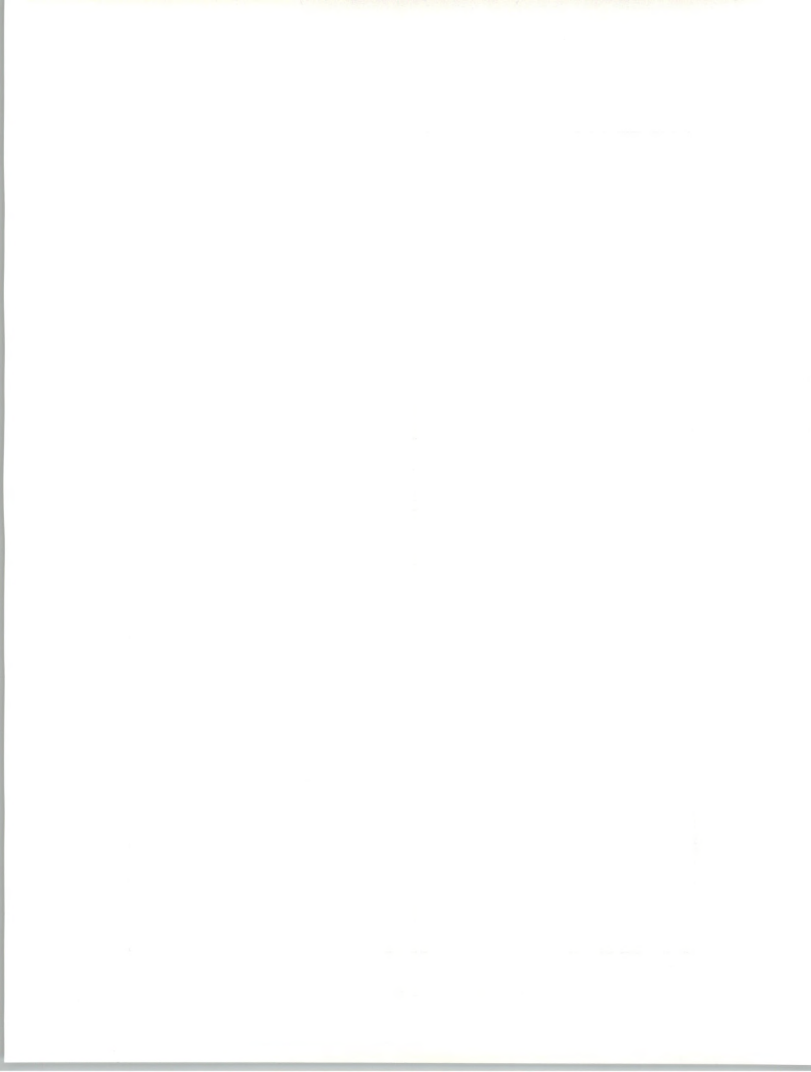
E-OU-57

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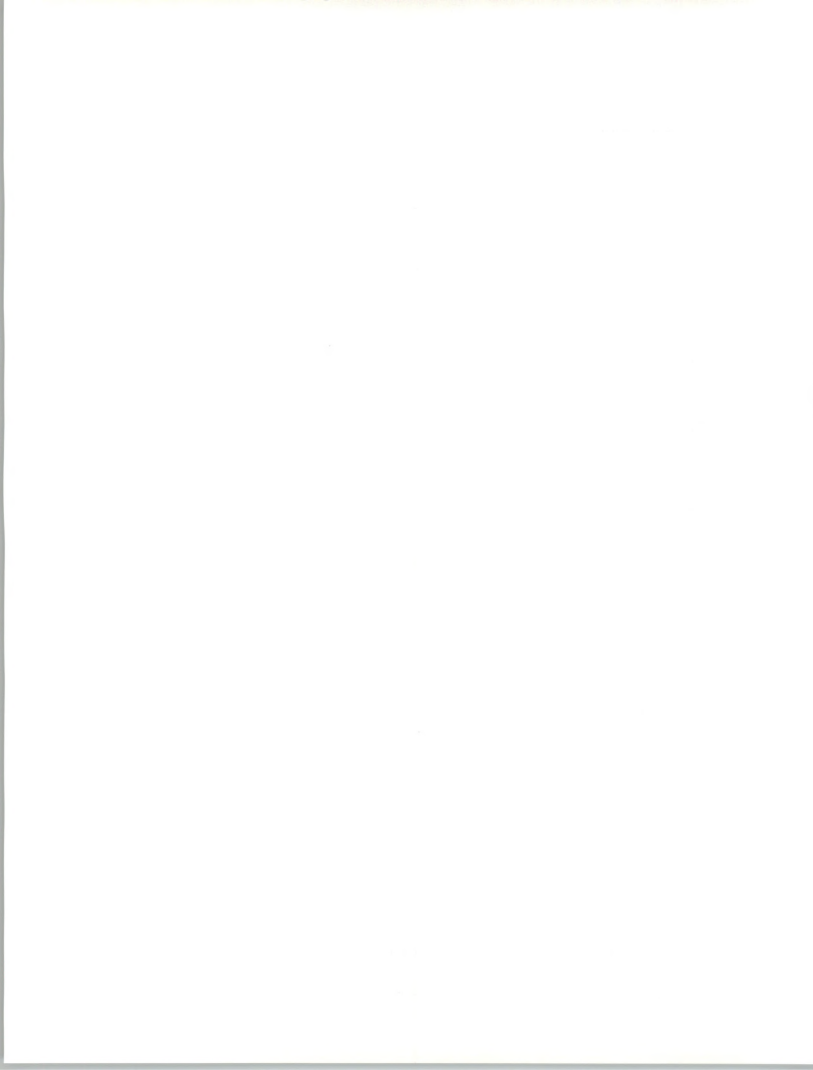
Systems Operations Success Factors

Platform operations	Cost base Financial stability
Application operations	Industry knowledge Development capability
Application management	Technical development capability

E-SO-59

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Outsourcing, Europe

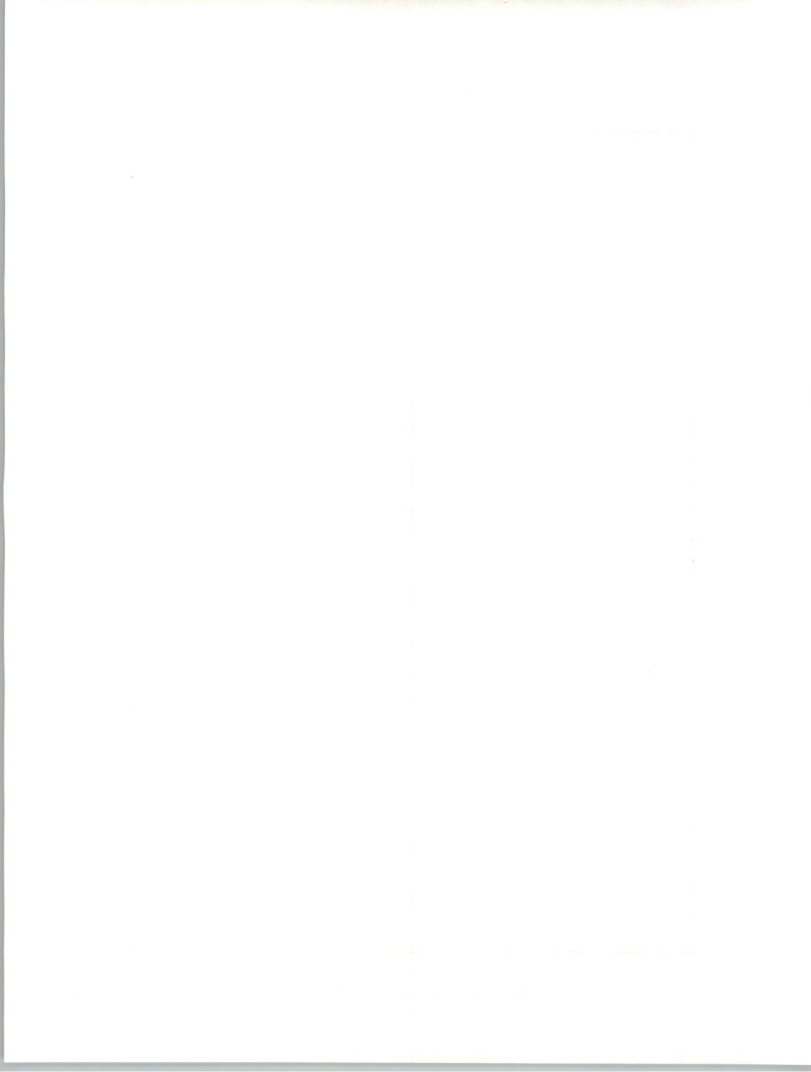
Leading Vendors, 1990

Rank	Company	Est. Rev. (\$M)
1	CGS/Hoskyns	145
2	EDS	132
3	AT&T Istel	78
4	GSI	64
5	SD-Scicon	59

E-OU-39

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Leading SO Vendors United Kingdom, 1990

Company	Revenue (£M)	
Hoskyns	70	
AT&T Istel	40	
Data Sciences	22	
EDS	16	
Sema/ITnet	15	INPUT

E-SO-60

Notes

Outsourcing Product Lines Hoskyns

- Midrange
- Mainframe
- Application management
- Desktop services

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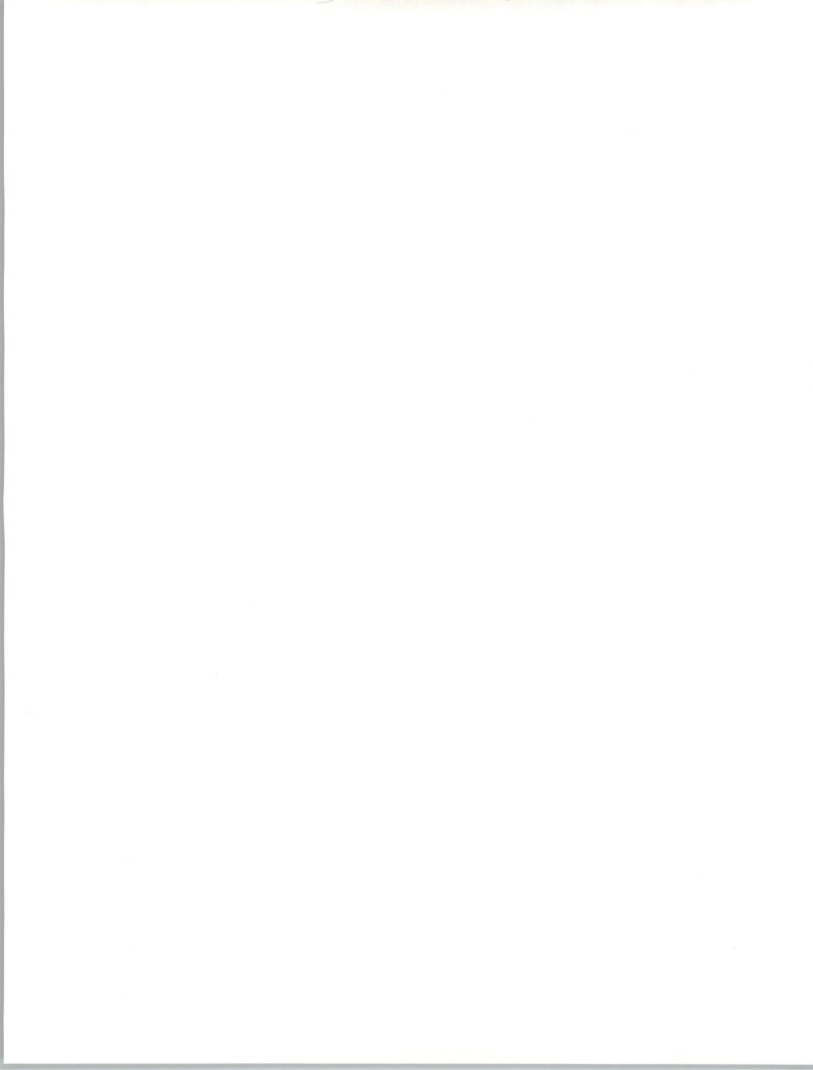
Hoskyns—Application Management Contracts

Company	Contract Details
ICI Agrochemicals	Transfer of 57 personnel
PowerGen	Support for non-strategic systems
Prudential Holborn	Maintenance/enhancement

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Notes



AT&T Istel

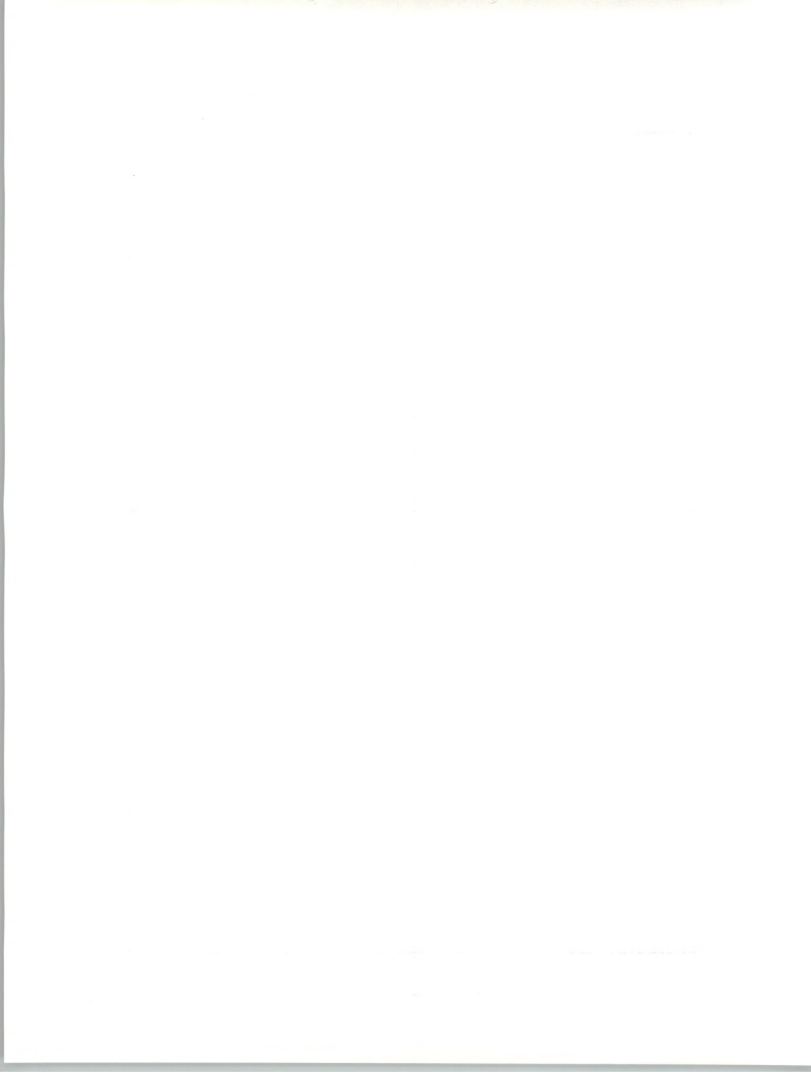
Breakdown by Service Type Outsourcing Customer Base

Service	(%) of Contracts
FM and efficiency mgmt.	55
Service management	35
Change management	5
Information systems mgmt.	5

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Notes



Data Sciences: Strategy

- Develop existing client base
- Target applications development for medium-sized organisations
- Partner Computeraid for desktop services

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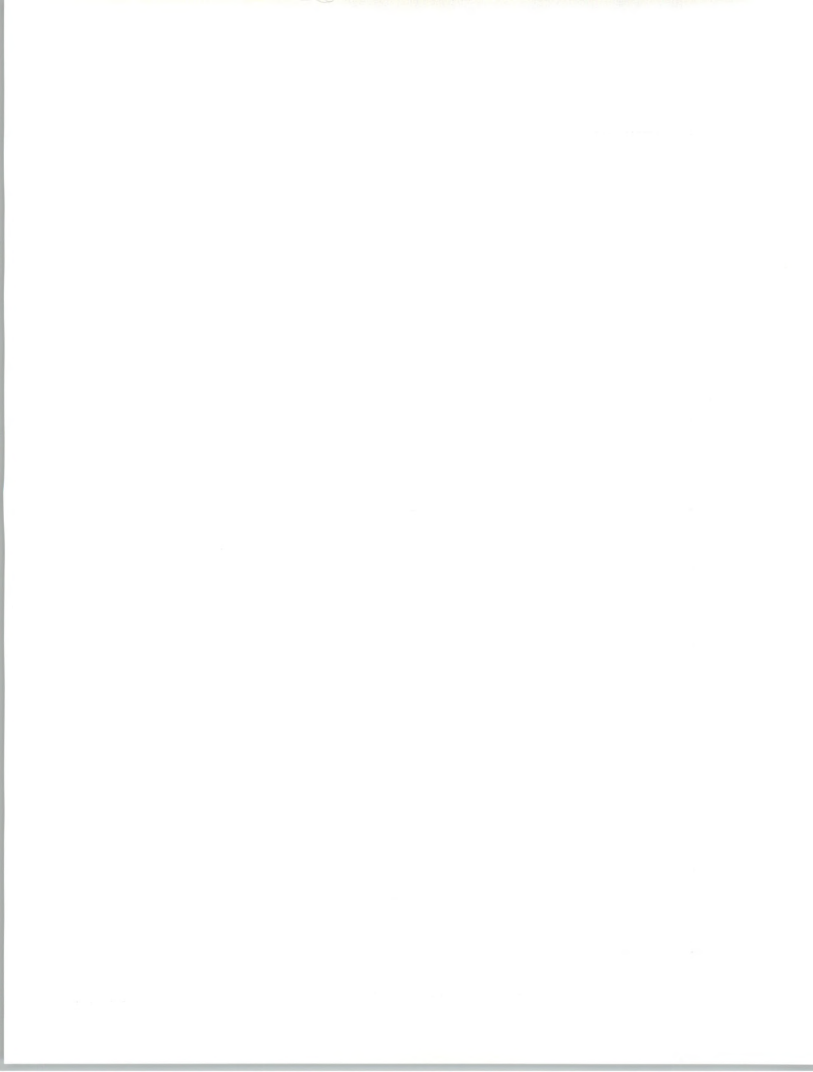
Data Sciences Outsourcing Contracts

Client	Contract Details
Sedgwick	Potentially 2,000 PCs
Sphere Drake	Downsizing to PC LAN
National Grid	UNIX-based network

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Notes



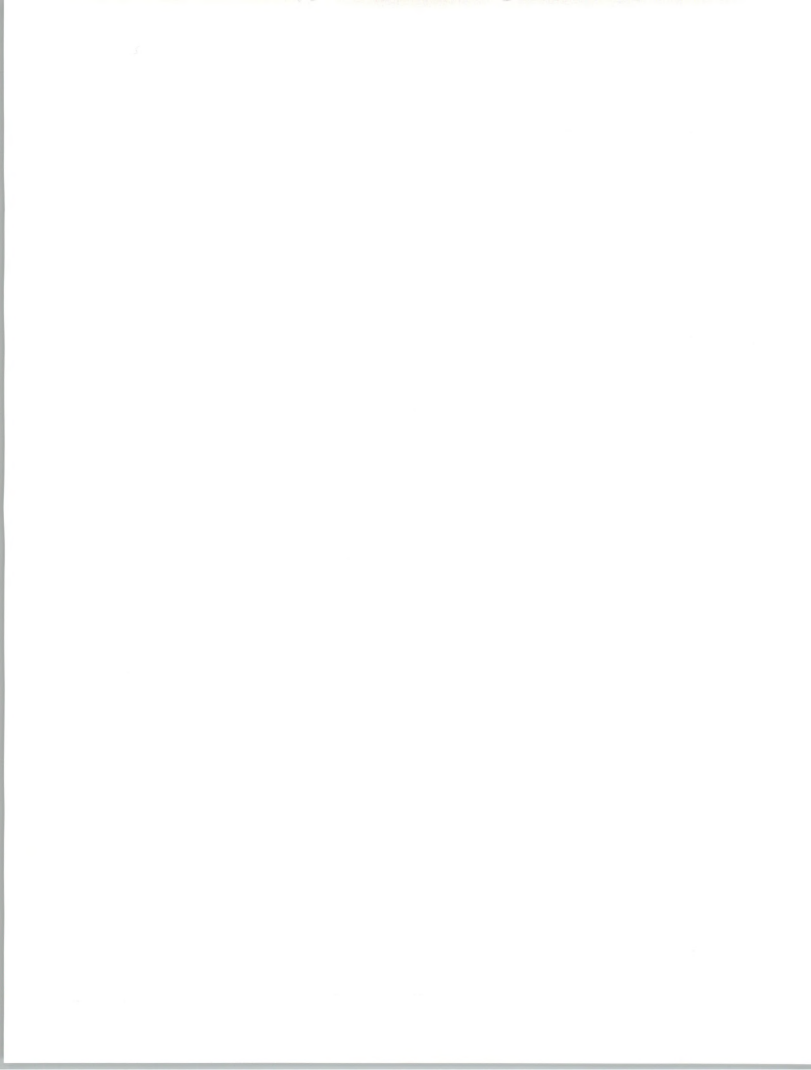
Andersen Consulting Outsourcing Strategy

- Low emphasis on platform operations
- Target application management
- Target business process services

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Notes



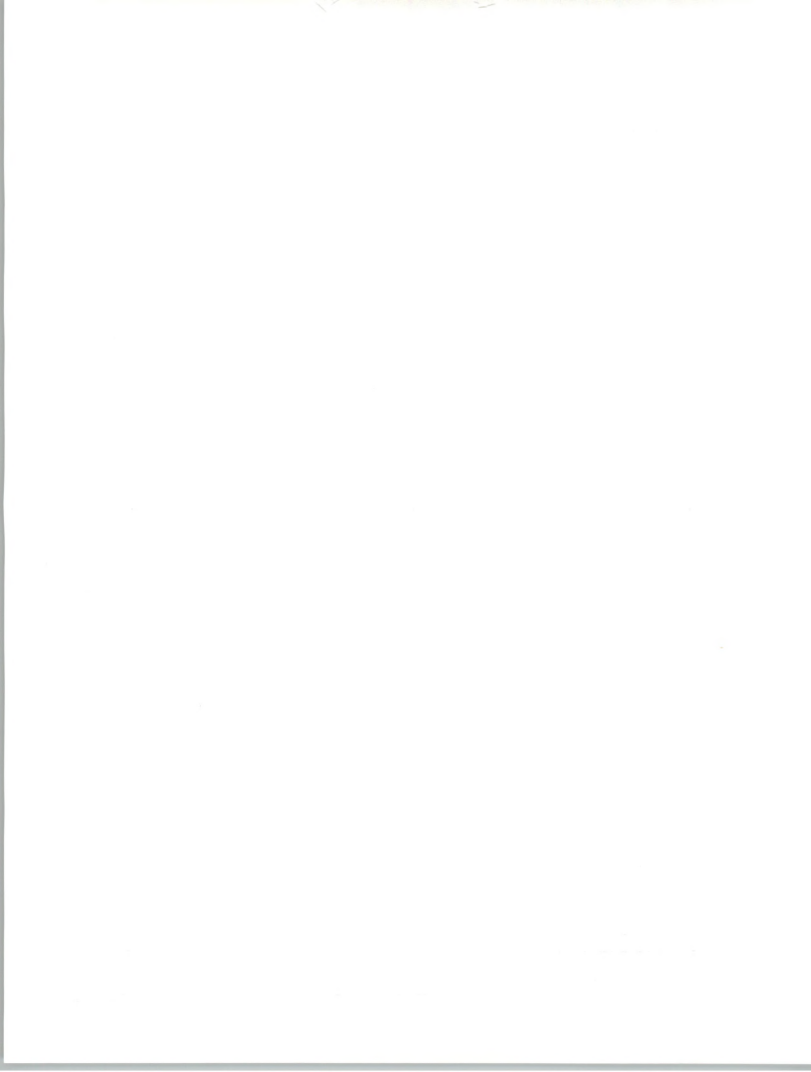
Andersen Consulting—Examples of Outsourcing Contracts

Company	Contract Details
Thames Water	Transition management
Stock Exchange	Platform operations
Yorkshire RHA	Transition management

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Notes



TeleCom Capita Outsourcing Activities

- Purchased Royal Institute of Public Administration
- Takeover of local government revenue collection
- Collects community charge for 23 councils

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Notes



P&P: Service Offerings

- Contract managed support
- Dealer to Times Top 100
- Frequently take on user IS personnel
- Open relationship
- Tailored service

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Notes



Desktop Services, Europe

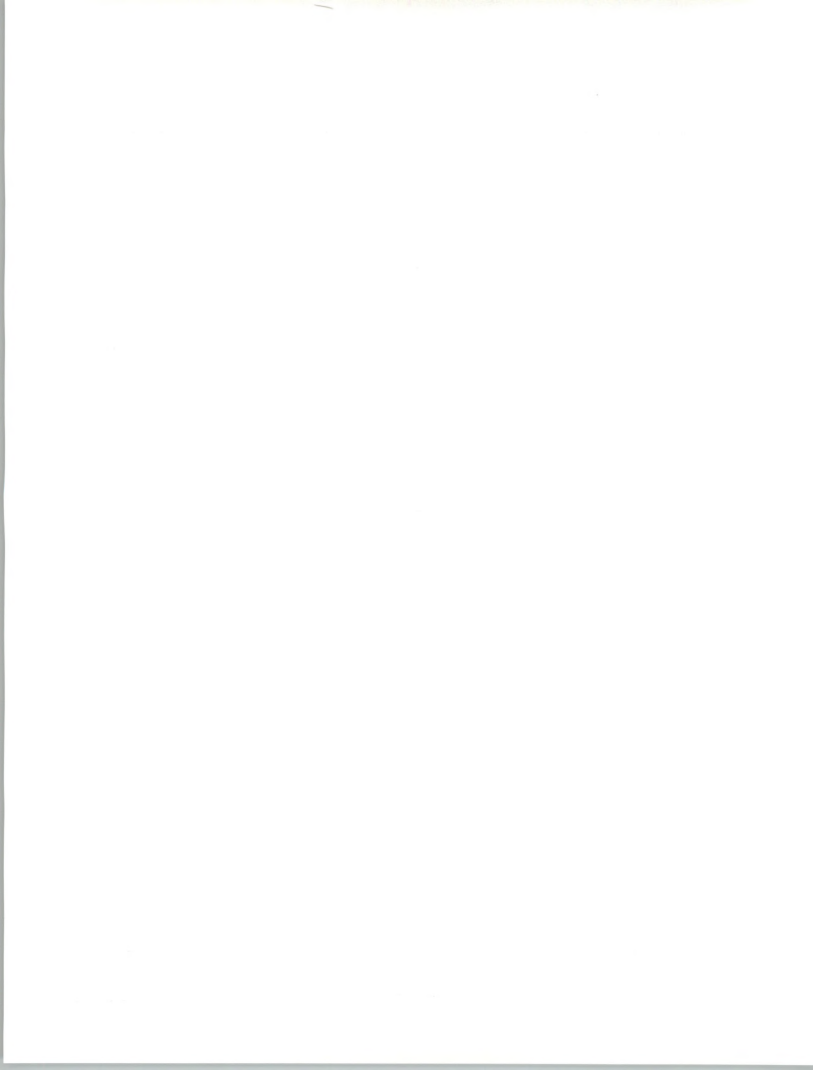
P&P: Strengths

- Targeting Times Top 100
- Vendor independence
- Breadth and depth of PC knowledge

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Notes



Desktop Services, Europe

P&P: Weaknesses

- Lack of proprietary systems operations capability
- European coverage
- Lack of industry expertise

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Notes



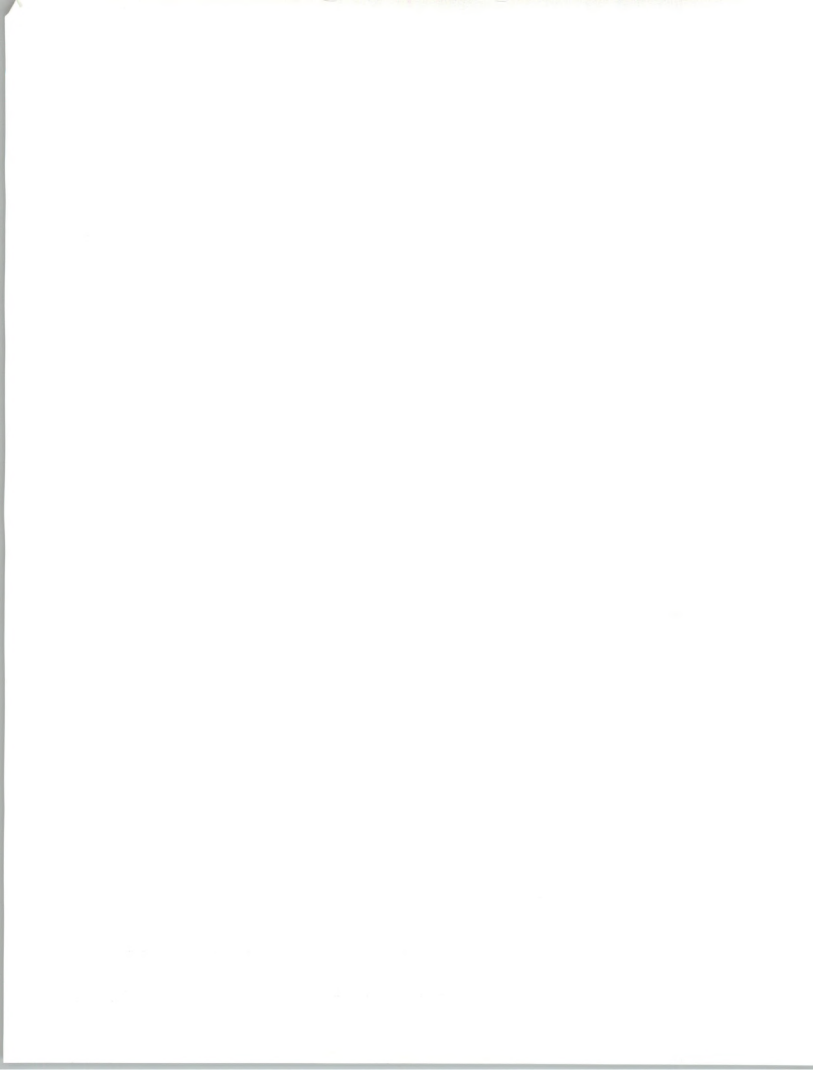
Digital U.K. Outsourcing Revenues

Service Category	Annual Revenues (£M)
Systems operations	7
Network management	6
Desktop services	5
Total	18

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Notes



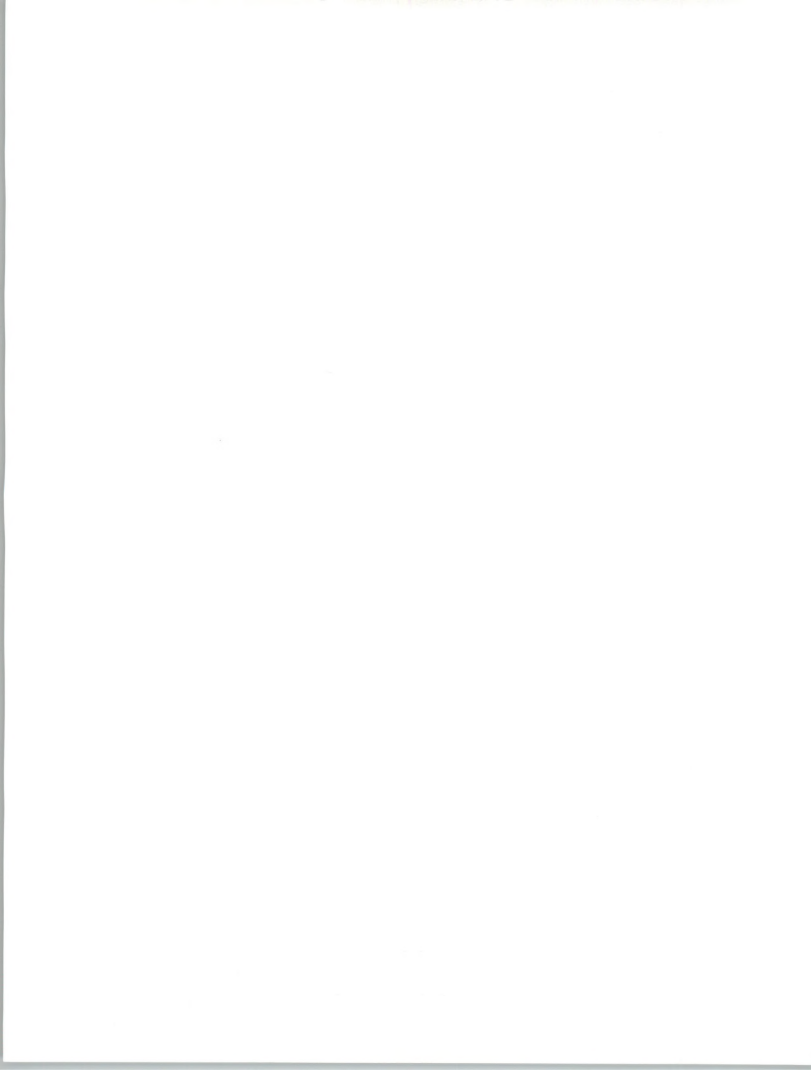
Digital—Outsourcing Target Markets

- Finance sector
- Utilities
- Retail sector

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Axone: Outsourcing Strategy

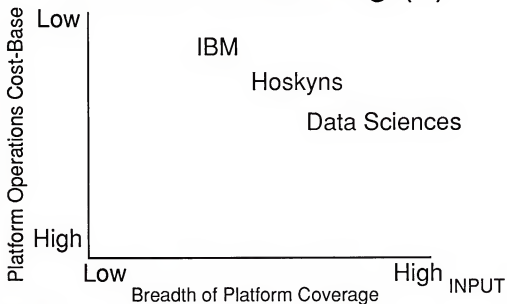
- High growth from transition management services
- Developing multivendor platform operations
- Application management on midrange platforms

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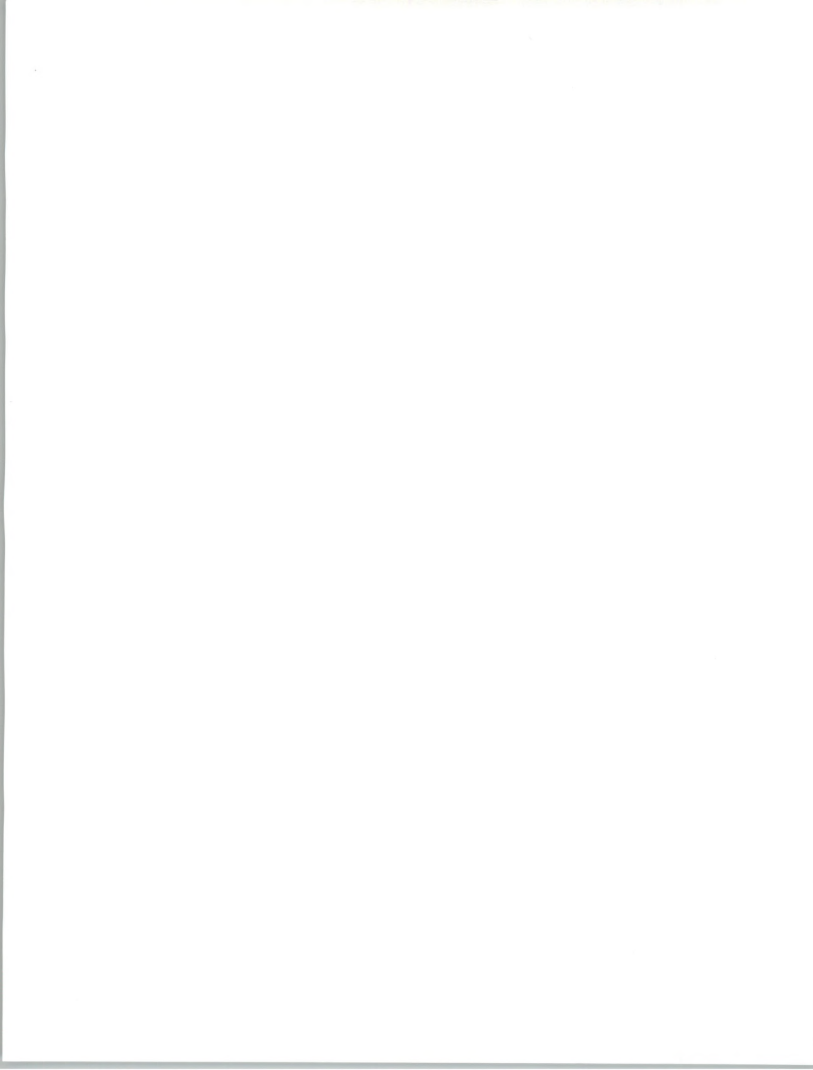
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Vendor Positioning (1)

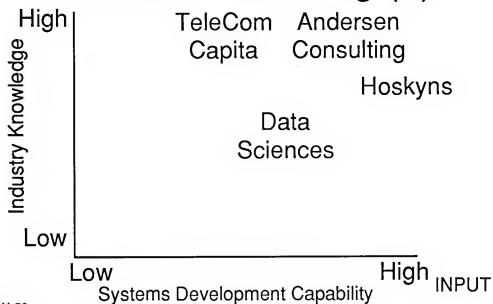


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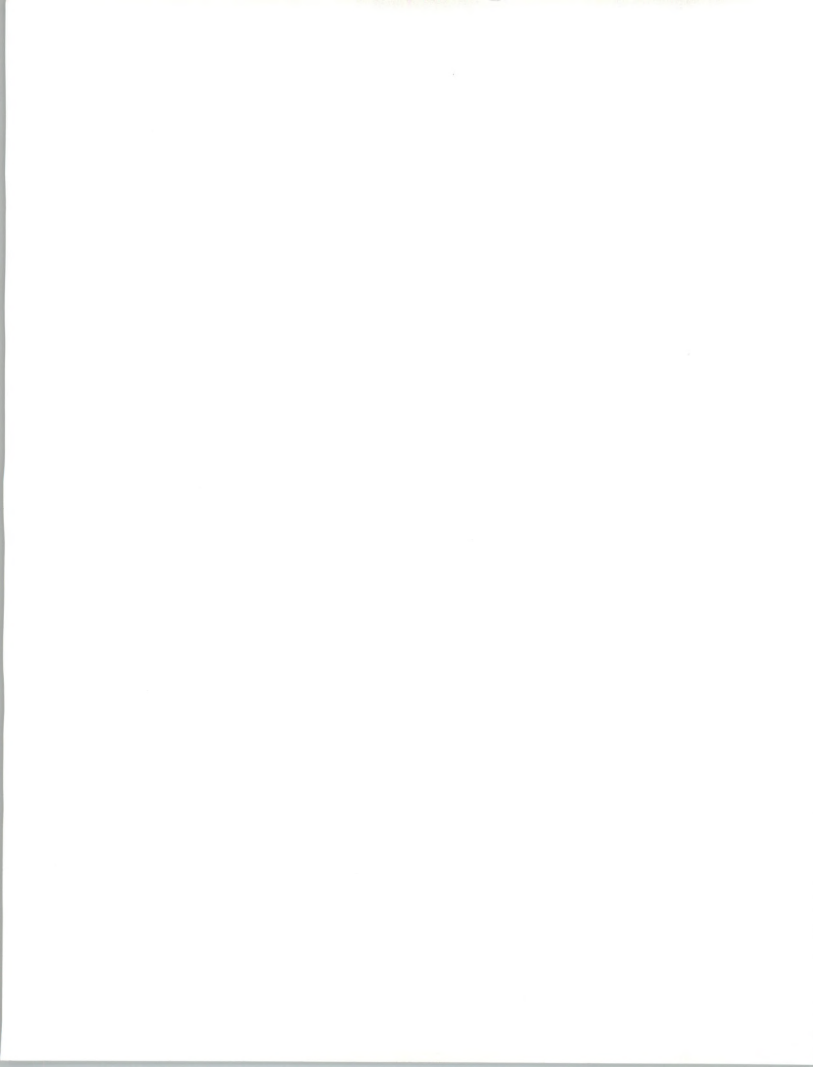


Vendor Positioning (2)



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